

betsson ab

Q4 2019

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Q4 IN BRIEF

- Strong operating income
 - Revenue at SEK 1,290 million
 - EBIT at SEK 200 million, EBIT margin 15.5%
- Sportsbook show strong turnover growth
 - Gross turnover all-time high in Q4
 - SB margin lower than average impacting SB revenue
- Number of active customers grew 3% Y/Y
- Deposits in Q4 all-time-high **ATH!**
- Continuous investments in our own technology ✓
- UK based NetPlay migrated to Techsson platform ✓
- Sportsbook launched in Italy ✓
- Investment in Brazilian operator Suaposta ✓



betsson / SHL
Stolt Huvudsponsor

FULL YEAR 2019

- Delivers operating income SEK 865 million
 - EBIT margin 16.7%
 - Temporary downturns mitigated by geographical spread and efficient organisation
- Despite temporary challenges on a few markets our long-term ambition remains - to out-grow the market, organic and through acquisitions
- Continuous investments
 - In our own technology to provide customer entertainment and extend the product offering to third party offerings
 - In increased activities to investigate further geographical distribution
- Financing for future growth secured through bond
- Strong cash flow & Solid balance sheet



RECENT PRODUCT & TECHNOLOGY INITIATIVES

- Price winning Mobile Game Frame innovation for enhanced customer experience
 - Fast deposits
 - Game Search with access to recently played games
 - In-game communication
- Sportsbook activities
 - B2B enabled
 - First B2B agreement signed in Q1 2020 with ibet
- Site performance enhancements on core brands
 - Faster loading times
 - Upgraded product offering for Nordicbet in Denmark
 - Launch of Bingo in UK
- Adoption to latest regulation and compliance requirements
 - Netherlands



BETSSON WITH FOCUS ON ESG

Sustainability framework adopted by the Board

Great Place to Work
International Gaming Awards 2019



People impact

Ambition: Best workplace in the industry, embracing diversity

Climate impact

Ambition: Fighting climate change

Community impact

Ambition: Positive impact where we operate

Customer Service Operator of the Year
EGR Nordics Awards 2019



Socially Responsible Operator of the Year
Gaming Intelligence Awards 2019



Responsible gaming

Ambition: A healthy relationship to gaming

Business compliance

Ambition: Conducting a responsible and transparent business



ESG rating from MSCI

COMITTMENT TO PLAYER PROTECTION

– Recent development and initiatives

- Launch of “onebetsson.com” - covers Betsson’s CSR initiatives around the globe
- Roll-out of automated system for customer interactions for RG purposes to a number of jurisdictions, 50% increase in Q4
- Revamped the training program for Customer Support
- In Q4, 36% (11%) of new depositing customers decided to set a deposit limit
- Revamp of the algorithm of the detection system for problem gambling to further enhance customer protection

Selected initiatives



Budget/deposit limits

In Q4 2019, 36% of all new depositing customers chose to set a deposit limit



Gaming overview

Gives customers a clear picture of their gaming history and increases their control



“GamTest”

Allows customers to test whether or not their gaming habits are healthy



External whistleblowing system

For reporting irregularities



Self-exclusion

Customers can exclude themselves from gaming for a period up to one year



ISO 27001 certification

By international testing body ACM for Information Security Management System



AI used

to identify potential RG issues

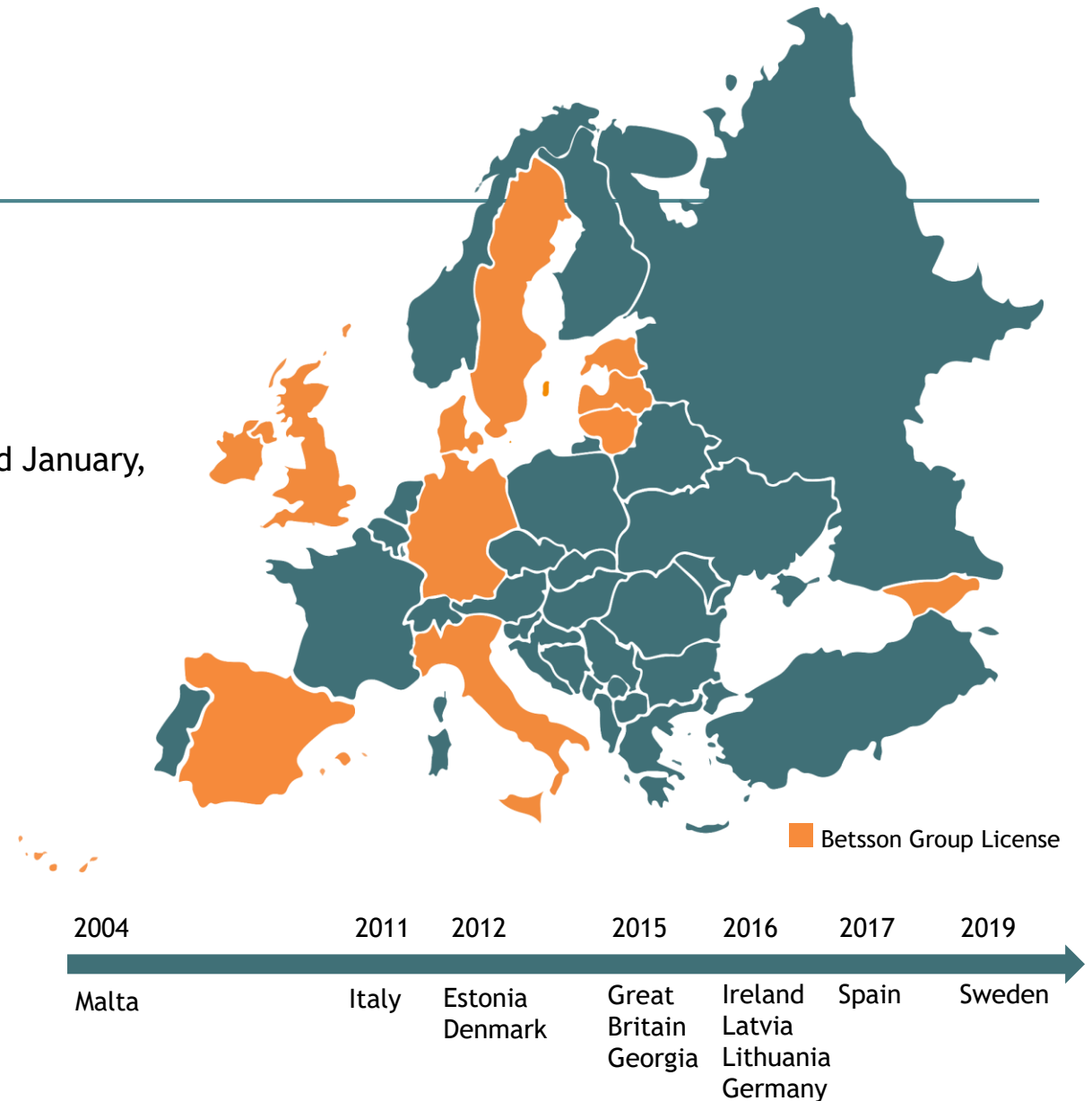


External audits/certifications

to review, evaluate and ensure procedures

REGULATORY UPDATE

- Sweden
 - Fine regarding Nordicbet appealed, still pending
- The Netherlands
 - Market opening postponed to July, 2021 & Applications accepted January, 2021
 - Requirements on age verification
- Denmark
 - Gaming tax increase from 20% to 28% from 2021
- Germany
 - Possible to apply for SB license from January 2020
 - Betsson intends to apply



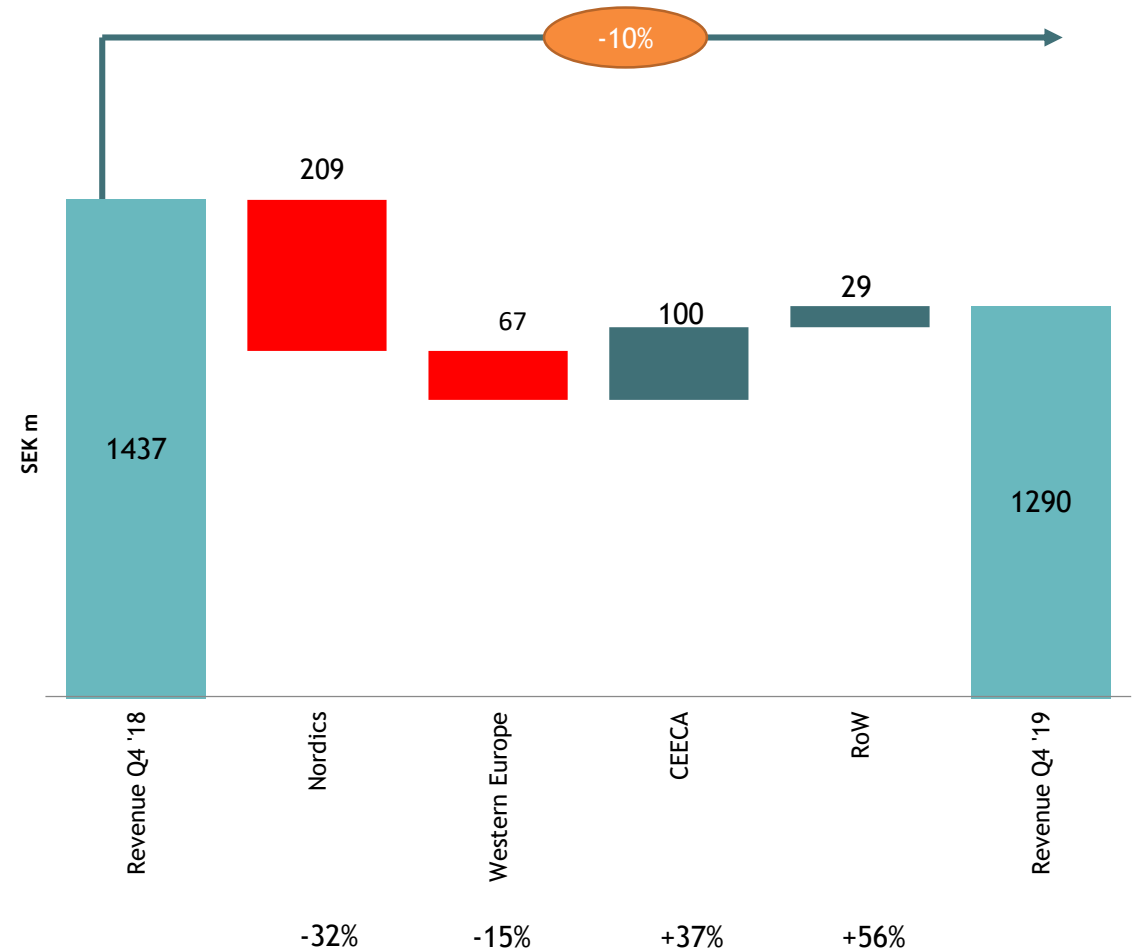
FINANCIAL SUMMARY Q4

- Total revenue SEK 1,290 million
- Sportsbook performing well
 - Gross turnover increased 15% Y/Y and 17% Q/Q
 - Sportsbook margin at 6.8%
 - Revenues on par with Q3
- Casino revenue decline of 10% Y/Y but growth Q/Q
- EBIT at SEK 200 million
 - Impacted by revenue decline
 - Increased gaming tax and payment costs
 - Increased spending to broaden product offering and investigate geographical spread
 - Cost efficiencies contribute positively

SEK m	Q4 2019	Q4 2018	Change	FY 2019	FY 2018
Revenue	1,290	1,437	-10%	5,173	5,420
Gross profit	839	1,018	-18%	3,428	3,860
Gross margin	65.0%	70.8%		66.3%	71.2%
EBITDA	292	419	-30%	1,230	1,505
EBITDA margin	22.7%	29.2%		23.8%	27.8%
EBIT	200	342	-41%	865	1,194
EBIT margin	15.5%	23.8%		16.7%	22.0%
EPS, SEK	1.48	2.27	-35%	5.69	7.79
Casino revenue	964	1,072	-10%	3,837	4,077
SB revenue	312	341	-9%	1,265	1,244
SB margin	6.8%	7.3%		7.2%	6.9%

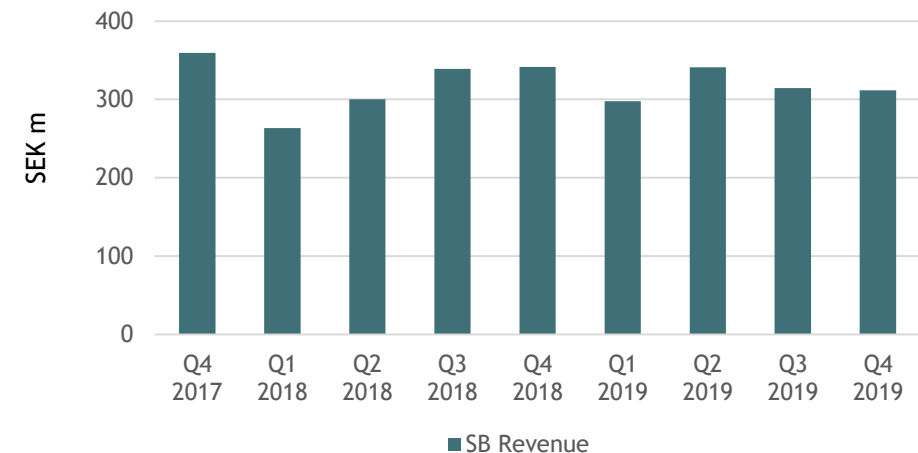
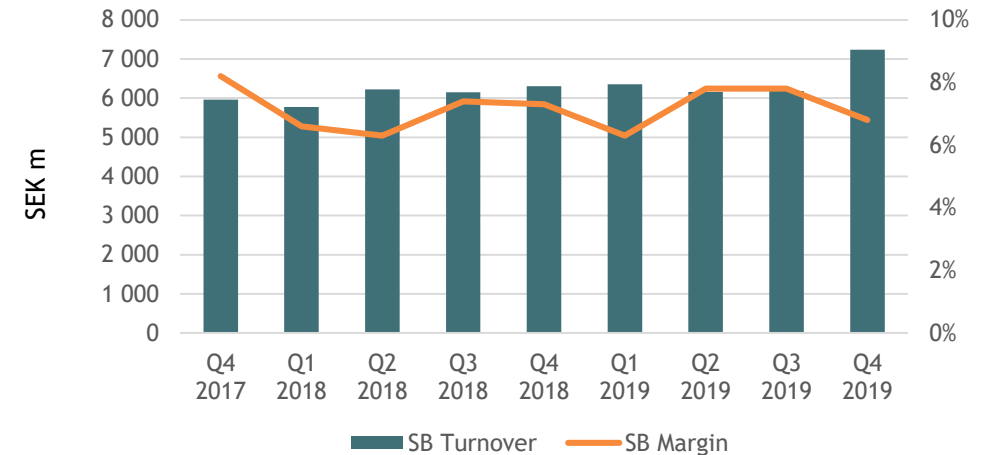
FOURTH QUARTER - BY REGION

- The Nordics continue under pressure
 - Weak revenue trend due to regulatory challenges
 - Betsson’s payment platform solution provide future competitive advantage
- Western Europe almost on par with Q3
 - Hard to predict market conditions in the Netherlands, channelization important issue
 - Other European countries make up for Netherlands
- Other markets show favorable trends



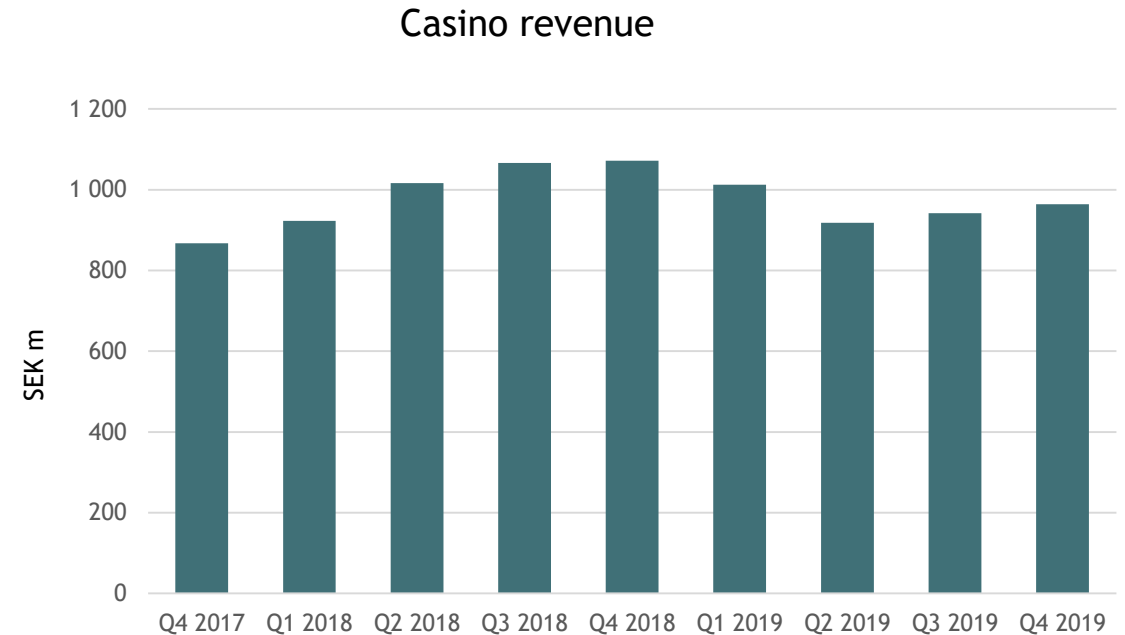
SPORTSBOOK DEVELOPMENT

- Sportsbook gross turnover growth by 15% Y/Y due to performance enhancements
- 50,108 live betting events in Q4 2019 reflecting a competitive offering, an increase of 14% from Q3
- SB revenue decline of 9% mainly due to lower SB margin
 - Growth in CEECA and RoW, flat in Western Europe
 - Decline in the Nordics due to Swedish regulation and payment solutions in Norway
 - Sportsbook margin at 6.8% (7.3%)
- Mobile Sportsbook accounted for 83% of total Sportsbook revenue
- Sportsbook revenue 24% of total revenue



CASINO DEVELOPMENT

- Betsson offer 2,700 casino games of which 2,000 on mobile
- Casino revenue decreased by 10% Y/Y but saw an increase compared to Q3
- Live casino share of total revenue increasing
- Casino 75% of total revenue



CASH FLOW & FINANCIAL POSITION

- Operating cash flow SEK 238 million
 - Mainly driven by operating income and negative impact from changes in working capital
- Investments
 - Driven by investments in Betsson’s proprietary technology
- Financing activities
 - Repayment of bank loans and old bond at SEK 448 million
- Net debt SEK 186 million (245)
 - Net debt/EBITDA 0.2 (0.2)
- Equity/assets ratio 64% (61%)

SEK m	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating cash flow	238	289	1,150	1,273
Cash flow from investing activities	-76	-82	-294	-294
Cash flow from financing activities	-470	-332	-714	-990
Cash flow for the period	-308	-124	142	-11
Cash and cash equivalents, end of period	639	489	639	489

PROPOSAL ON DIVIDEND

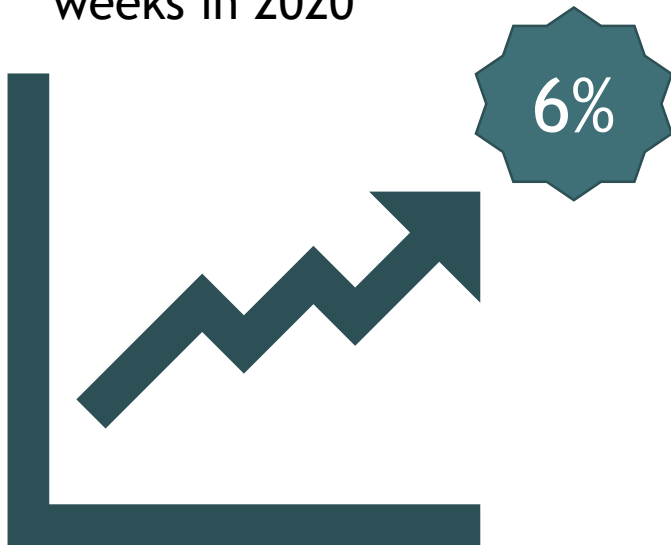
- The Board of Directors proposes to the AGM that SEK 2.84 per share is distributed to the shareholders.
- A total of SEK 393.1 million will be distributed through an automatic redemption process.
- The proposed dividend represents 50 percent of net income, in line with the dividend policy;

The Board's ambition for the ordinary distribution to shareholders is, provided a continued attractive capital structure, to distribute up to 50 percent of net earnings, through cash transfer, an automatic redemption process or via repurchase of own shares.



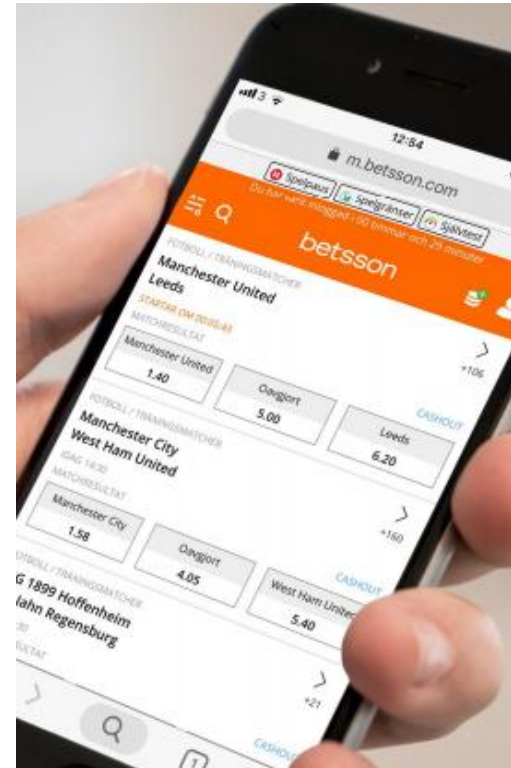
Q1 2020 TRADING UPDATE

- Strong start of the new financial year
- Daily average revenue up until February 9 was 6% higher than the full first quarter last year
- Strong sportsbook margin during the first six weeks in 2020



SUMMARY

- In full-year 2019 Betsson delivers an operating profit of SEK 865 million despite a few market challenges
- Betsson confident about the long-term opportunities
 - Enhanced Sportsbook provide performance and commercial opportunities, first B2B deal signed early 2020
 - Increased focus on geographical spread, ready for M&A
 - Continued cost efficiencies allows for investments in geographical spread
- Betsson’s strong financial position and proprietary technology provide a strong foundation to manage market changes and to offer competitive product solutions



Long gaming industry experience and considerable size

Proprietary technology secures the future

Strong financials to execute strategy

Diversified business through geographical spread and multi-brand strategy

Transition from land-based to online gaming vouch for industry growth

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